

## COMMISSIONERS OF THE LAND OFFICE

### REGULAR MEETING MINUTES

THURSDAY, FEBRUARY 13<sup>TH</sup>, 2020 AT 2:00 P.M.  
GOVERNOR'S LARGE CONFERENCE ROOM  
2<sup>ND</sup> FLOOR, OKLAHOMA STATE CAPITOL  
OKLAHOMA CITY, OKLAHOMA

Notice was posted online on the Commissioners of the Land Office website and at the Commissioners of the Land Office Tuesday, February 11<sup>th</sup>, 2020 at 2:00 p.m.

#### PRESENT:

Honorable J. Kevin Stitt, Governor and Chairman  
Honorable Joy Hofmeister, Superintendent of Public Instruction and Member  
Honorable Cindy Byrd, State Auditor and Inspector and Member  
Honorable Blayne Arthur, Secretary of Agriculture and Member

#### LAND OFFICE STAFF PRESENT:

A. Brandt Vawter, Acting Secretary  
Keith Kuhlman, Assistant Secretary  
Katy Janz, Executive Assistant and HR Director  
Bennett Abbott, General Counsel  
Steve Diffie, Director, Royalty Compliance Division  
Ed Reyes, Director, Information Technology Division  
Karen Johnson, Chief Financial Officer  
Dan Whitmarsh, Director, Minerals Management Division  
Hannah Pryor, Archivist  
Erin Morgan, Internal Auditor  
Shahnaz Parekh, Internal Auditor  
Tricia Langley, Business Manager, Real Estate Management Division  
Jennifer Tupps, Attorney, Legal Division  
Jared Semtner, Assistant Director, Information Technology Division  
John Fischer, Commercial Properties Manager, Real Estate Management Division  
Anthony Ruiz, Assistant Director, Real Estate Management Division  
Mike Lyons, Assistant Director, Financial Services Division

#### VISITORS:

Mark Higgins, RVK  
Teena Gunter, Department of Agriculture, Food, and Forestry  
Jeffrey Cartmell, Governor's Office  
Brad Clark, Superintendent of Public Instruction's Office

Governor Stitt called the meeting to order at 2:07 p.m., ensured the presence of a quorum and proper posting, and called the roll.

Stitt:	Present
Pinnell:	Absent

Hofmeister: Present  
Arthur: Present  
Byrd: Present

**1. Request Approval of Minutes for Regular Meeting Held January 9<sup>th</sup>, 2020**

- a. *Presented by Brandt Vawter, Acting Secretary*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

The minutes were presented by Acting Secretary Vawter. A MOTION was made by Commissioner Hofmeister and seconded by Commissioner Arthur to approve the minutes of the January 9<sup>th</sup>, 2020 meeting.

Stitt: Aye  
Hofmeister: Aye Motion Carried  
Arthur: Aye  
Byrd: Aye

**2. Secretary's Comments**

- a. Distributions to beneficiaries for month of January  
Acting Secretary Vawter informed the Commissioners that January distributions totaled \$15,044,013, bringing the FY 2020 distributions to a total of \$68,522,804.

**3. Presentation of December 31, 2019 Quarterly Investment Performance Report by RVK (informational only)**

- a. *Presented by Mark Higgins, RVK*
- b. *Discussion*

Mr. Higgins briefed the Commissioners on the performance of the CLO investment portfolio, noting that the agency ended 2019 with a total market value of \$2.52 billion and a 1-year return of 16.3% net of fees. He mentioned contributing factors such as the US and China Phase One trade agreement and US economic growth. He did, however, caution the Commissioners that this return should not be expected in 2020.

**4. Consideration and Possible Action to Hire a Fund Manager**

Authorization is requested to hire Vanguard Group to manage a new International Fund for the Commissioners of the Land Office's investment portfolio.

*Recommendation: On behalf of the Investment Committee the Chief Financial Officer recommends approval to hire Vanguard Group to manage the Vanguard Total International Fund as part of the CLO's International portfolio allocation.*

- a. *Presented by Karen Johnson, CFO*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

Karen Johnson informed the Commissioners that the Investment Committee recommended hiring Vanguard Group to manage the Vanguard Total International Fund. A MOTION was made by Commissioner Byrd and seconded by Commissioner Hofmeister to approve the hiring of Vanguard Group.

Stitt:	Aye
Hofmeister:	Aye
Arthur:	Aye
Byrd:	Aye Motion Carried

#### **5. 2020 Statement of Organizational Independence of the Internal Auditor (informational only)**

An annual confirmation of the organizational independence of the internal auditor to the commission is required by the *International Standards for the Professional Practice of Internal Auditing* (Standards). The Institute of Internal Auditors describes organizational independence to be effectively achieved when the Internal Auditor reports functionally to the Commission.

- a. *Presented by Erin Morgan, Internal Auditor*
- b. *Discussion*

Erin Morgan presented the 2020 Statement of Organizational Independence, stating that independence is achieved through use of the Audit Committee and through a dual reporting structure. There were no questions.

#### **6. Consideration and Possible Action to Approve the Internal Audit Charter**

The internal audit charter is required by *International Standards for the Professional Practice of Internal Auditing* (Standards). The charter formally defines the internal audit activity in a manner consistent with professional standards. The charter also formally defines the purpose, authority, and responsibilities of the internal audit function. The auditor must review this charter periodically and obtain approval from the Commission.

*Recommendation: The Internal Auditor recommends approval of the 2020 Internal Audit Charter.*

- a. *Presented by Erin Morgan, Internal Auditor*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

Erin Morgan presented the 2020 Internal Audit Charter, stating that it was unchanged from the charter in 2019. A MOTION was made by Commissioner Byrd and seconded by Commissioner Arthur to approve the 2020 Internal Audit Charter.

Stitt:	Aye
Hofmeister:	Aye
Arthur:	Aye
Byrd:	Aye Motion Carried

## 7. **Consideration and Possible Action to Approve the 2020 Internal Audit Plan**

A risk based annual internal audit plan for 2020 has been developed. This plan is based on consideration of potential risks associated with the agency auditable activities, internal control, risk management, and governance processes.

*Recommendation: The Internal Auditor recommends approval of the 2020 internal audit plan.*

- a. *Presented by Erin Morgan, Internal Auditor*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

Ms. Morgan presented the 2020 Internal Audit Plan. She explained that it is risk based and takes into consideration potential risks associated with the agency auditable activities, internal control, risk management, and governance processes. A MOTION was made by Commissioner Hofmeister and seconded by Commissioner Byrd to approve the 2020 Internal Audit Plan.

Stitt:	Aye
Hofmeister:	Aye Motion Carried
Arthur:	Aye
Byrd:	Aye

## 8. **Consideration and Possible Action to Provide Additional Funds for a Professional Services Contract**

Authorization to provide additional funding for a professional services contract with the law firm of MaHaffey & Gore, P.C. is requested. The firm currently represents and advises the CLO in the ongoing lawsuit of CLO v. Apache Corp., CJ 17-1, (Dist. Beckham, Okla). The available balance of funds previously authorized have largely

been expended and will be insufficient to pay continuing legal fees related to the litigation. Additional funding in the amount of \$50,000 is requested.

*Recommendation: The General Counsel recommends authorizing additional funds to pay attorney fees incurred in ongoing litigation.*

- a. *Presented by Bennett Abbott, General Counsel*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

Bennett Abbott presented the request for additional funds to the Commissioners. A MOTION was made by Commissioner Byrd and seconded by Commissioner Hofmeister to approve the expenditure of an additional \$50,000 for legal expenses.

Stitt:	Aye
Hofmeister:	Aye
Arthur:	Aye
Byrd:	Aye Motion Carried

#### **9. Consideration and Possible Action to Provide Additional Funds for a Professional Services Contract**

Authorization to provide additional funding for a professional services contract with the law firm of Phillips Murrah, P.C. is requested. The firm currently represents and advises the CLO in the ongoing bankruptcy litigation. The available balance of funds previously authorized have largely been expended and will be insufficient to pay continuing legal fees related to bankruptcy litigation. Additional funding in the amount of \$20,000 is requested.

*Recommendation: The General Counsel recommends authorizing additional funds to pay attorney fees incurred in ongoing litigation.*

- a. *Presented by Bennett Abbott, General Counsel*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

Bennett Abbott presented the request for additional funds to the Commissioners. A MOTION was made by Commissioner Hofmeister and seconded by Commissioner Byrd to approve the expenditure of an additional \$20,000 for legal expenses.

Stitt:	Aye
Hofmeister:	Aye Motion Carried
Arthur:	Aye
Byrd:	Aye

**10. Consideration and Possible Action for Professional Services Contract to upgrade CLO Asset Inventory System in Excess of \$25,000**

Authorization is requested for a professional services contract with MyConsulting in the amount of \$214,000 for Phase I for the upgrade of the CLO Asset Inventory System from a Windows to a Web Based Application.

*Recommendation: IT Director recommends professional services contract with MyConsulting to perform application upgrade.*

- a. *Presented by Edward Reyes, IT Director*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

Ed Reyes requested approval of a contract with MyConsulting for Phase I of the CLO Asset Inventory System, moving to web based and consolidating two systems into one. A MOTION was made by Commissioner Hofmeister and seconded by Commissioner Byrd to approve the contract.

Stitt: Aye  
Hofmeister: Aye Motion Carried  
Arthur: Aye  
Byrd: Aye

**11. Consideration and Possible Action to Appraise Land for Sale or Exchange**

Lease No.909394	Legal Description
909394 Oklahoma County	A tract of land lying in the E/2 Sec. 10-T12N-R03WIM, Oklahoma County, Oklahoma containing 134.297 AC MOL

Real Estate Management is requesting an appraisal to establish a value for possible exchange or sale.

The property will be appraised by three Oklahoma Certified General Appraisers.  
*Recommendation: The Director of Real Estate Management recommends authorization to appraise land for sale or exchange be given.*

- a. *Presented by Floyd Evans, Real Estate Management Director*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

Floyd Evans was unable to attend, therefore Mr. Anthony Ruiz, Assistant Director of Real Estate Management Division presented the request for authorization to appraise

the subject land for sale or exchange. A MOTION was made by Commissioner Arthur and seconded by Commissioner Hofmeister to authorize the appraisal.

Stitt: Aye  
Hofmeister: Aye  
Arthur: Aye Motion Carried  
Byrd: Aye

## 12. Consideration and Possible Approval of Appraisal and Authorization to Sale or Exchange Land

Lease No.	Legal Description
106432 Canadian County	A tract of land lying in the SE/4 of Sec. 16-T13N-R05WIM, Canadian County, Oklahoma containing 25.5875 AC MOL

In February 2009, the Commissioners granted a 55-year commercial ground lease on this property to Village Verde, LLC for the purpose of developing the land for commercial and residential purposes. The property is located at the intersection of NW Expressway and Mustang Road, in the northwest Oklahoma City metro area. As required, the lessee filed a development plat along with covenants and restrictions with the city of Oklahoma City. The development plat designated which areas of the property will be used for commercial, residential and common area/open space uses. The plat has been approved by the City of Oklahoma City. The appraisal value is \$850,000.00.

*Recommendation: The Director of Real Estate Management recommends the appraisal be approved and authorization to offer the land for public bid or land exchange.*

- a. *Presented by Floyd Evans, Real Estate Director*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action*

Mr. Ruiz presented a request for approval of the appraisal of the subject property in the amount of \$850,000 and authorization to offer the land for sale or exchange. Discussion followed regarding the current lease on the property and the amendment of that lease withdrawing the subject acres if a sale or exchange occurred. The Commissioners were assured that the CLO lease allows for such an amendment. A MOTION was made by Commissioner Hofmeister and seconded by Commissioner Byrd to approve the appraisal and authorize the sale or exchange.

Stitt: Aye  
Hofmeister: Aye Motion Carried  
Arthur: Aye  
Byrd: Aye

### 13. Consent Agenda – Request Approval of December Agency Monthly Division Summary of Activities

*The Agenda items presented on the Consent Agenda are considered as one item for voting purposes. The Consent Agenda includes items that are statutorily or constitutionally required to be performed by the Commissioners of the Land Office or are administrative in nature, which are done as a routine action by the Commissioners of the Land Office. If any member of the Commission or any member of the public requests a particular item or items to be considered individually, the matter or matters shall be considered individually.*

- a. Presented by A. Brandt Vawter, Acting Secretary
- b. Discussion
- c. Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.

#### *Financial Services Division*

- 1. December 2019
  - a. Claims Paid (Routine) (pp 53-54)
  - b. Budget to Actual Expenditure Comparison (p 55)

#### *Minerals Management Division*

- 1. December 2019
  - a. 11/20/2019 Oil and Gas Lease Awards (pp 56-58)
  - b. Tracts Offered 1/15/2020 (pp 58-59)
  - c. Assignments of Oil and Gas Leases (pp 59-61)

#### *Real Estate Management Division*

- 1. December 2019
  - a. Surface Lease Assignments (p 62)
  - b. Soil Conservation Projects (pp 62-63)
  - c. 40 Year Easements (p 63)
  - d. Limited Term Right of Entry Permit (p 63)
  - e. Term Irrigation Permit (p 63)
  - f. Short Term Commercial Lease Renewals (pp 64-68)
  - g. New Short Term Commercial Leases (p 68)
  - h. Correction to the August Commissioners Agenda and Meeting Minutes (p 69)

#### *Administration Division*

- a. Warranty Deeds Issued on Land Exchanges (pp 70-76 )

Seeing no discussion or questions, a MOTION was made by Commissioner Hofmeister and seconded by Commissioner Arthur to approve the Consent Agenda.

Stitt:	Aye
Hofmeister:	Aye Motion Carried
Arthur:	Aye
Byrd:	Aye



#### **14. Financial Information Regarding Investments and Monthly Distributions (informational only)**

##### *Accounting*

- a. January Distribution by District and Month

##### *Investments*

- a. Market Value Comparison December

There was no discussion on this item.

#### **15. Executive Session**

- A. An Executive Session may be convened pursuant to 25 O.S. §307(B)(4) to discuss (1) filing a new lawsuits against Taylor Operating Company LLC and Trans Pacific Oil Company to recover royalties owed on oil and gas leases and related legal claims and (2) George and M. Jean Bergman for failure to plug an abandoned well and related legal claims; and (3) settlement of claims in the bankruptcies of Linn Energy, LLC and White Star Petroleum Holdings, LLC. Discussion may include scope of claims, legal issues, litigation strategies and risks, and attorney work product.

- a. Presented by Bennett Abbott, General Counsel*
- b. Vote to Convene Executive Session*
- c. Retire to Executive Session*
- d. Vote to Return to Open Session*

A MOTION was made by Commissioner Byrd and seconded my Commissioner Hoffmeister to retire to Executive Session.

Stitt:	Aye
Hofmeister:	Aye
Arthur:	Aye
Byrd:	Aye Motion Carried

A MOTION was made by Commissioner Hofmeister and seconded by Commissioner Byrd to return to open session.

Stitt:	Aye
Hofmeister:	Aye Motion Carried
Arthur:	Aye
Byrd:	Aye

#### **16. Consideration and Possible Action on Executive Session Items**

- A. The Commission may further consider and take action in open session related to the listed Executive Session agenda items in accordance with 25 O.S. §307(E)(3)

- a. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

A MOTION was made by Commissioner Byrd and seconded by Commissioner Arthur to authorize the Secretary to file new lawsuits against Taylor Operating Company LLC, Trans Pacific Oil Company, and George and M. Jean Bergman.

Stitt: Aye  
Hofmeister: Aye  
Arthur: Aye  
Byrd: Aye Motion Carried

A MOTION was made by Commissioner Arthur and seconded by Commissioner Hofmeister to authorize the Secretary to settle the bankruptcy claims of Line Energy, LLC and White Star Petroleum Holdings, LLC.

Stitt: Aye  
Hofmeister: Aye  
Arthur: Aye Motion Carried  
Byrd: Aye

## 17. New Business

The Commission may discuss, consider and take possible action regarding new business that could not have been reasonably anticipated or was unknown prior to the regular meeting.

Seeing no new business, a MOTION to adjourn was made by Commissioner Arthur and seconded by Commissioner Hofmeister.

Stitt: Aye  
Hofmeister: Aye  
Arthur: Aye Motion Carried  
Byrd: Aye

  
A. Brandt Vawter, Acting Secretary

I HEREBY CERTIFY that the foregoing is a true, full and correct report of said meeting.

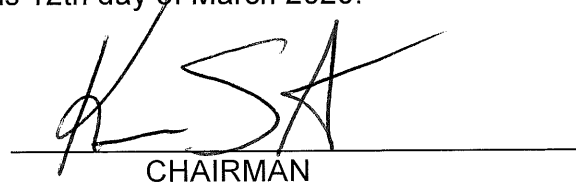
WITNESS my hand and official signature this 12th day of March 2020.

(SEAL)



ATTEST:

  
A. Brandt Vawter

  
CHAIRMAN